

crisis with as little disturbance as the monetary and banking systems of Europe. When currency is needed gold flows into the gold-standard reserve and is employed in buying silver for coinage; when currency is not needed, exchange on London is bought with rupees and the rupees are thus withdrawn from circulation.<sup>1</sup> A new chapter in monetary science was thus written by the history of India. With a circulation of silver estimated at 1,800,000,000 rupees (\$603,000,000), grave apprehensions were felt in many quarters of the possibility of maintaining such a volume of currency at par without a large loan; but the test of experience showed that those who believed in the efficacy of an exchange fund and in the limitation of new coinage to the amount paid for in gold, rested upon an unassailable principle of economic science.<sup>5</sup> The Philippines, Mexico, and Panama were prompt to follow in the path thus marked out by India/

It was natural that an experiment so vast and comparatively novel should be conducted with deliberation by the Indian Government. One of the most serious difficulties of the plan up to 1899 was the undue limitation in the issue of the silver rupee, the current money of the country. From 1893 to March 15, 1900, not an ounce of silver was purchased for coinage nor an additional rupee added to the circulation, except those which came out of hoards under the stimulus

<sup>1</sup> Robertson declared as long ago as 1903 that "There is no more interference with the automatic character of the currency in India than there is in England."—Commission on International Exchange, 1903, 372.

<sup>2</sup> Great stress was laid by Sir James Westland, in criticising the plan for an exchange fund in London carefully worked out by Mr. A. M. Lindsay, upon his belief that the plan "would involve the undertaking of an indefinite liability."—Commission on International Exchange, 1903, 352.

<sup>3</sup> M. Arnaune\* disputes the parallelism sometimes drawn between the silver dollars of the United States and the five-franc pieces of France with the Indian rupee, upon the ground that the American and French coins are part of a circulation whose basis is actual gold, while the rupees are not merely secondary coins, but constitute in themselves the principal money of India.—La Monnaie,

le Credit et  
le Change, 162.